



State of Nevada
Drinking Water State Revolving Fund
State Fiscal Year 2005

Annual Report



State of Nevada
Department of Conservation and Natural Resources
Division of Environmental Protection
Bureau of Water Pollution Control

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List of Acronyms

BHPS = Bureau of Health Protection Services
BWPC = Bureau of Water Pollution Control
CWSRF = Clean Water State Revolving Fund
DBE = Disadvantaged Business Enterprise
DWSRF = Drinking Water State Revolving Fund
EDI = Electronic Data Interface
EPA = Environmental Protection Agency
FFY = Federal Fiscal Year
GID = General Improvement District
GIS = Geographic Information System
IUP = Intended Use Plan
MBE = Minority-owned Business Enterprise
MHI = Median Household Income
NAC = Nevada Administrative Code
NDEP = Nevada Division of Environmental Protection
NRS = Nevada Revised Statute
OSGWA = Other Sensitive Groundwater Areas
PCS = Potential Contaminant Sources
PWSS = Public Water System Supervision
RCAC = Rural Community Assistance Corporation
SDWA = Safe Drinking Water Act
SDWIS = Safe Drinking Water Information System
SWA = Source Water Assessment
SWAP = Source Water Assessment Plan
TCR = Total Coliform Rule
UIC = Underground Injection Control
UICP = Underground Injection Control Program
UNR = University of Nevada Reno
UNR-CE = University of Nevada Reno, Cooperative Extension
USGS = U.S. Geological Survey
WHPP = Wellhead Protection Program
WBE = Women-owned Business Enterprise

Nevada Drinking Water State Revolving Fund

Annual Report

I. INTRODUCTION

The State of Nevada, through the Department of Conservation and Natural Resources, Nevada Division of Environmental Protection (NDEP), is pleased to present the Annual Report on the Drinking Water State Revolving Fund (DWSRF) for State Fiscal Year (SFY) 2005, the year from July 1, 2004 through June 30, 2005. During SFY 2005, the Bureau of Water Pollution Control (BWPC), within the Division of Environmental Protection, administered the DWSRF through the authority granted by the Nevada Legislature (see Nevada Revised Statutes 445A.200 to 445A.295, inclusive; Web URL: <http://www.leg.state.nv.us/NRS/NRS-445A.html>). The 2003 Nevada Legislature transferred the DWSRF program from the Health Division to the Division of Environmental Protection, effective July 1, 2003. In this report the terminology “Division” refers to the Division of Environmental Protection, unless otherwise specified.

NDEP provides this comprehensive report to the public and to the U.S. Environmental Protection Agency (USEPA), Region IX, to detail the activities undertaken during SFY 2005 to reach the goals and objectives set forth in the 2004 and 2005 Intended Use Plans (IUPs) developed and filed with a capitalization grant application.

This Annual Report documents the status of the program by describing the progress made toward long-term and short-term program goals, the sources (e.g., federal grants, state matching funds) and uses of all funds (e.g., loans), financial status of the DWSRF, and compliance with federal requirements for the DWSRF. It also addresses conditions of the Division’s Operating Agreement with the USEPA. This report should provide the necessary information for the USEPA to evaluate Nevada’s progress in implementing the DWSRF in conformance with the goals and objectives of the Safe Drinking Water Act, as amended in 1996 (SDWA).

NDEP presents the Annual Report in five major sections. This Section is the introduction. Section II provides a summary of progress made toward reaching long-term and short-term goals of the program. Section III provides an overview of financial conditions of the program. Section IV reports details on loan and set-aside activities. Finally, Section V reports on the Division’s compliance with provisions of the Capitalization Grant Assistance Agreement and the Operating Agreement, as amended.

II. GOALS AND ACCOMPLISHMENTS

Both long-term and short-term goals are identified in the 2004 Intended Use Plan. The long-term goals provide the framework that guides management decisions for the DWSRF program. The short-term goals support the implementation of the long-term goals and are activities initiated, and in some cases, completed within a year. Goals, which were developed for the DWSRF as a whole, are discussed in Section A. Goals developed for each set-aside are discussed in Sections B through D.

A. Progress toward DWSRF Long Term Goals (2003 IUP, Section III.B & C)

Long-Term Goal 1: *Ensure that DWSRF funds are available in perpetuity to all Nevada public water systems to provide to their customers water that is safe and pleasant to drink all of the time.*

Progress toward Goal 1: In order to ensure that the corpus of funds in the account for the revolving fund is not diminished, the Division has not offered subsidized or negative interest loans. However, the fund has grown large enough that the Division could consider subsidized or negative interest loans in the future. The interest rate established provides a nominal “cushion” of funds in case a loan were to default. Loans to publicly owned entities require that the loan applicant submit a bond for the loan to the State Treasurer through a rigorous debt analysis and bonding process required by the Local Government Securities Law (NRS 350.500 to 350.720, inclusive).

Long-Term Goal 2: *Address the most serious risk to human health and comply with the requirements of the Safe Drinking Water Act.*

Progress toward Goal 2: The project priority list includes projects ranked in four primary categories according to the public health need that the project was intended to address in accordance with regulations adopted by the State Board of Health. The category that has first access to loan funds includes projects that are designed to address acute public health risks. The second category that has access to loan funds is projects that address chronic health concerns. The third category is for infrastructure replacement or rehabilitation projects, and the fourth is for refinancing. The ranking of projects is described in NAC 445A.67569; it is also generally described in Section V of each IUP. The final priority list resulting from this process is reviewed at public workshops and then submitted to the Board for Financing Water Projects for review and approval. Revisions to the list follow this same process.

Set-aside funding has provided a number of opportunities to facilitate public water system compliance with the Safe Drinking Water Act and drinking water regulations. Third party contractors have been utilized to provide small public water systems with technical assistance to improve their technical, managerial and financial capabilities and improve operator knowledge through various training.

Long-Term Goal 3: *Assist systems most in need, on a per household basis, according to State-determined affordability criteria.*

Progress toward Goal 3: Communities with lower than average median household incomes are given an advantage to access below-market interest rate loans. The prioritization process takes into account the median household income (MHI) in the area served by a water system and projects in communities with a lower MHI are ranked higher than an equivalent project in a community with a higher MHI.

Long-Term Goal 4: *Coordinate with other funding agencies through the Infrastructure for Nevada's Communities Committee.*

Progress toward Goal 4: The Infrastructure for Nevada's Communities Committee meets quarterly. This Committee is an excellent forum where all of the funding agencies come together to discuss activities and coordinate efforts to assist communities in need of assistance. If a system seeks funding instead of, or supplementary to, a loan, DWSRF program staff works cooperatively with other state and federal agencies to assist the system in obtaining either grant or loan funds from available sources.

Short-Term Goal: *Make drinking water in Nevada more affordable by providing approximately \$26,125,536 in Federal, State and repayment funds as loans to water systems in Nevada at or below market interest rates.*

Progress toward Goal: The following table lists loans that were in process in SFY05. During SFY05, loan contracts were finalized and executed for Big Bend Water District, Incline Village GID, Washoe County (Hidden Valley Water System) and Truckee Meadows Water Authority.

Water System	Loan Amount	Project Description
Big Bend Water District	\$6,000,000	Waterline looping, pump station
Incline Village GID	\$2,000,000	Waterline replacement
Washoe County (Hidden Valley)	\$14,463,000	Arsenic and surface water treatment
Truckee Meadows Water Authority	\$9,270,659	Arsenic compliance

B. Progress toward Goals for Program Administration (4% Set-Aside, 2004 IUP, Section IV.A)

The long-term goal of the program administration set-aside is to effectively manage a self-sustaining DWSRF Loan Program and ensure that funds are available in perpetuity. The following short-term goals and accomplishments support this long-term goal.

Short-Term Goal 1: *Effectively and efficiently manage the day-to-day operation of the DWSRF.*

Progress toward Goal 1: The Nevada Division of Environmental Protection Bureau of Water Pollution Control manages the DWSRF. The majority of funds from the 4% set-aside paid salaries and associated expenses of personnel administering the DWSRF program. The state is not currently charging fees to supplement available set-aside funds. Administration of the DWSRF has required the work of 2 FTEs. Personnel working under the PWSS grant have provided additional assistance.

During SFY 2005, Nevada completed the following administrative activities:

- Review and revision of program regulations and documents to address the transfer of the DWSRF program from the Health Division to NDEP
- Solicited pre-applications from public water systems, held workshops on project priority list and revisions to the priority list
- Project selection and development of IUP and set-aside plans including solicitation of public comment on IUP
- Participated in infrastructure funding coordination group (Infrastructure for Nevada Communities)
- Prepared capitalization grant applications and associated workplans and budgets
- Review of documents associated with loan application including environmental documentation
- Evaluate loan applicant's ability to repay loan, readiness to proceed and complete the project
- Implementation of Outreach contract for Minority Business Enterprise (MBE)/Women Business Enterprise (WBE)
- Preparation of loan contract documents
- Administration and oversight of technical assistance contracts

Short-Term Goal 2: Implement an outreach program for DBE/MBE/WBE.

Progress toward Goal 2: NDEP contracts with the University of Nevada Reno, Small Business Development Center to provide DBE outreach. The DBE Outreach Program has delivered numerous classes and workshops, with thousands of attendees, hundreds of hours of individual counseling, and hundreds of referrals to other resource agencies.

Short-Term Goal 3: Look into developing a Disadvantaged Program.

Progress toward Goal 3: The Nevada Administrative Code defines a disadvantaged community as an area served by a public water system in which the average income per household is less than 80 percent cent of the state median household income. In SFY05, a program to provide assistance to disadvantaged communities was investigated, but not implemented. However the priority list ranking process gives those projects serving communities with a lower median household income (MHI) the first opportunity at loan funds by ranking projects in lower MHI higher than an equivalent project in a community with a higher MHI.

Due to emerging issues with system consolidation and compliance with the revised arsenic standard, Nevada will implement a disadvantaged community program next year. The minimum criteria to qualify for a disadvantage program are as follows.

1. Meet the definition of a disadvantaged community.
2. Project must address a health concern.

3. Water system must serve fewer than 10,000 people.
4. Water rates must be greater than or equal to 1.5% of water system MHI.

Priority will be given to projects that result in consolidation of water systems and hence result in the elimination of a water system that is lacking technical, managerial and financial capacity.

C. Progress Toward Goals for Technical Assistance for Small Public Water Systems Serving 10,000 or Fewer Persons (2% Set-Aside, 2004 IUP, Section IV.B)

The long-term goal of the 2% Set-Aside is to offer assistance to 100% of Nevada's small water systems.

Short-Term Goal 1: Provide technical assistance to about 30 small systems in Nevada.

Progress toward Goal 1: The 2% Set-Aside has been used to fund a third party contractor, Rural Community Assistance Corporation (RCAC), to provide technical assistance. RCAC is a nonprofit organization that assists rural communities to achieve their goals and vision by providing training, technical assistance and access to resources. To date, over 95 water systems have received some type of assistance through Nevada's technical assistance providers. The following types of assistance have been provided:

- Assistance on technical, managerial and financial capabilities
- Helping small systems find and obtain funding in addition to loans from the DWSRF
- Assistance with planning of projects and application for loans and grants
- Assistance in developing rate structure and rate increases
- Helping small systems comply with federal and state drinking water regulations and requirements
- Assisting small systems develop Operating Manuals, Emergency Plans, Consumer Confidence Reports and other operating documents
- Helping small systems develop business plans and asset management
- Addressing daily operating problems and improving the efficiency of operations
- Addressing short-term non-compliance problems, sampling and monitoring issues
- Operator training and Board workshops

For SFY05, technical assistance was provided to the following systems:

Baker Water & Sewer
Deluxe Mobile Home Park
Ember Enterprises

Eureka County (Crescent City)
Lahontan Dam Water System
Lockwood Mobile Home Park
Sierra Estates GID
Topaz Ranch Estates
Trout Canyon
Welcome Station RV Park
Bunkerville
Crescent City
Gerlach GID
Hawthorne
Manhattan
McDermitt
Sheridan Acres
Dyer Elementary School
South Maine Mobile Home Park
Tolas Mobile Home Park

Small systems have some of the most pressing needs in Nevada. The programs designed by the assistance providers have presented a unique opportunity for small water systems to improve their technical, managerial and financial capabilities. In particular, some small water systems now better understand their financial situation and are able to apply and qualify for financial assistance (either a loan or grant).

Short-Term Goal 2: *Provide technical assistance to loan applicants by applying technical, managerial, or financial capability criteria.*

Progress toward Goal 2: Of the nineteen systems provided in-depth technical assistance by RCAC, seven are on the DWSRF Priority List and two are loan recipients.

D. Progress Toward Goals for State Program Management (10% Set-Aside, 2004 IUP, Section IV.C)

The 10% set-aside activities cover five different areas: Public Water System Supervision Program, Source Water Assessment Technical Assistance, Underground Injection Control Program, Capacity Development and Operator Certification.

1. Public Water System Supervision Program (PWSS)

The DWSRF 10% set-aside funds are used to enhance and improve the PWSS program. The long-term goal includes

- Develop and maintain a long-term data system for use in managing Nevada PWSS
- Investigate ways to make information accessible to the public
- Integrate Safe Drinking Water Information System (SDWIS) with other state databases

- Supplement and enhance the PWSS program through training, adoption of new rules and purchase additional computer equipment to facilitate the first three goals listed above.

Short-Term Goal 1: Input data for all parameters into SDWIS.

Progress toward Goal 1: The Health Division, Bureau of Health Protection Services, used funds from this set-aside to continue development and deployment of an information management system to manage the plethora of data generated for public water systems in Nevada. The Health Division has engaged Global Environmental Consulting to assist with the development and deployment of the Safe Drinking Water Information System (SDWIS). Data is input to SDWIS on a regular basis using temporary employees with additional assistance from a consultant. The PWSS utilizes SDWIS to track total coliform rule (TCR) quarterly monitoring, schedule maintenance and to produce reminder cards on an on-going basis. Non-TCR (chemistry) sample data for current compliance cycle is being entered continuously as it is received. SDWIS is being used to determine quarterly and annual compliance on non-TCR schedules.

New improvements to SDWIS completed in SFY 2005 include the following:

- Implementation of new rules (SWTR, DBPR, IESWTR)
- Violation Letter tool
- Implementation of Consumer Confidence Reports schedules and tracking
- Consumer Confidence Report preparation module

Short-Term Goal 2: Implement electronic data transfer.

Progress toward Goal 2: The electronic data interchange is continually being updated. The Compliance Decision Support tool intended for determining and maintaining compliance information for the chemical and radionuclides rules has been made operational.

Contractor has provided assistance in database maintenance.

Short-Term Goal 3: Purchase necessary computer equipment.

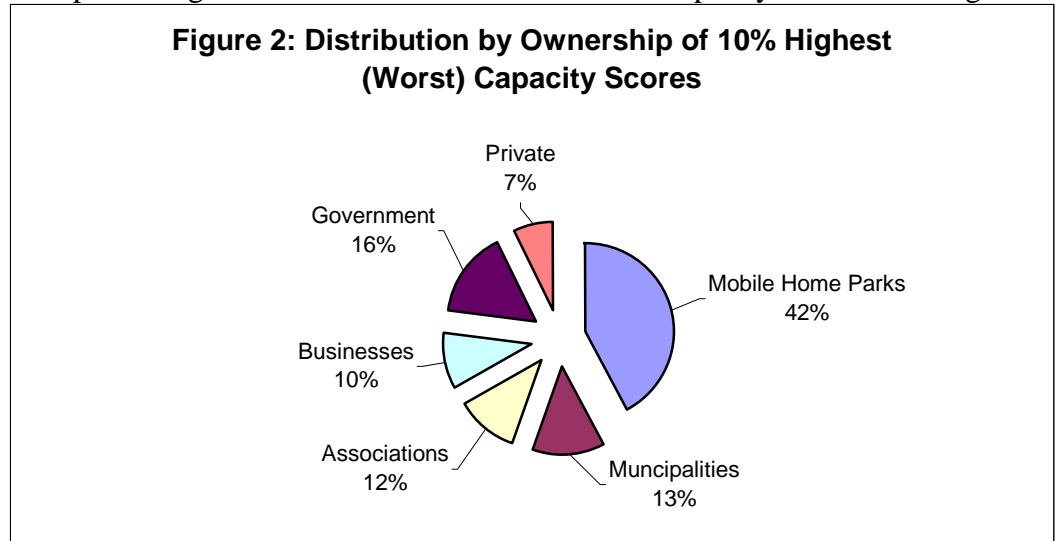
Progress toward Goal 3: Computer equipment has been purchased as needed.

Short-Term Goal 4: Provide PWS staff training; conduct public workshops and rule adoption.

Progress toward Goal 4: Staff has attended various training sessions and conferences sponsored by USEPA and others including ones for the arsenic rule. Public workshops are held through out the rule making process. EPA has promulgated a variety of new rules that the state must adopt through the rule making process to maintain primacy.

Short-Term Goal 5: Implement capacity development strategy

Progress toward Goal 5: Several tools are being utilized to implement the capacity development strategy including data collection, technical assistance and operator training. The Strategy specified that the State would use a matrix approach to evaluate systems most in need of technical, managerial, and financial assistance. The matrix system uses risk factors relative compliance problems and assigns a numerical score. For the data collection, Nevada utilized third-party contractors. Out of a total of 322 water systems evaluated, the contractor was unable to complete 44 evaluations. Scores ranged from a high (worst) of 67 to a low (best) of 0. Figure 2 shows the distribution of the 10% highest (worst) scores by water system ownership type. Mobile home parks have the highest scores, on average, demonstrating the lowest capacity. Mobile Home Parks make up 42% of the top 10% highest scores or those with the lowest capacity as shown in Figure 2.



Short-Term Goal 6: Maintain operator certification program.

Progress toward Goal 6: Nevada contracts with the California/Nevada Section of the American Water Works Association for the development, administration, scoring of, and reporting on water distribution operator and water treatment operator certification exams, and to provide supplementary administrative services for the operator certification program and the Operator Certification Advisory Board. There are 22 of the 245 community water systems and 6 of the 106 non-transient community water systems that are currently without a certified operator in responsible charge.

2. Source Water Assessment Technical Assistance

The Source Water Assessment Technical Assistance set-aside was established to help educate the public on the requirements of the Source Water Assessment and

Protection Program and publicize the benefits of protecting source water from contamination. The long-term goal is to develop public awareness of the need for source water protection.

Short-Term Goal 1: Develop public information.

Progress toward Goal 1: Funds from the 10% Set-aside are used to fund the University of Nevada, Cooperative Extension to develop videoconference Water Operator Workshops. Since these Workshops address both Source Water Protection and other issues important to water operators, 25% of the contract is funded under “Technical Assistance – Source Water Protection and Education” and 75% from “Enhancement of the PWSS Program”. The Workshops are intended to meet the needs of operators of small and very small water systems, especially in rural areas and designed to present information useful to operators and managers, while minimizing the travel time commitment and expense, especially for rural operators. These workshops are presented on the campus of the University of Nevada in Reno and broadcast live using interactive video to rural communities across Nevada. Up to five sites may participate at one time. Over the year, Workshop topics have included: Board Basics - Responsibilities of Water Board Members, Review and Preparation for the State Water Operator’s Examination, Mathematics for Water Treatment Plant Operators, State and Federal Regulations, Cross Connection Control, Emergency and Contingency Planning, Consumer Confidence Reports and Wellhead Protection Programs.

Water Lines is published and distributed quarterly. The Nevada Drinking Water and Wastewater Training Coalition craft the focus of each issue. Over the years, the publication has developed a reputation for providing timely information to water and wastewater systems throughout the state. Making information available quarterly establishes the publication as a consistent and reliable resource on regulations, guidelines, resources and training. *Water Lines* provides communication, education, and outreach to all public water systems in Nevada.

3. Underground Injection Control Program

The objective of the Underground Injection Control (UIC) Program is to protect underground sources for drinking water from degradation due to disposal of fluids through injection wells. The UIC activities discussed in this Annual Report supplement the Core UIC program, which is funded by a separate, federal UIC grant. The long-term goals of the UIC program include the following:

- Provide technical assistance and outreach to well owners/operators on source water protection.
- Identify and address all non-permitted Class V wells in Nevada.
- Compile groundwater sensitivity information throughout Nevada.
- Utilize the Other Sensitive Groundwater Areas (OSGWA) Plan for appropriate groundwater decision-making.
- Develop a groundwater vulnerability spatial database using GIS.

- Develop a groundwater model to predict possible contamination due to human activities.

Short-Term Goal 1: Continue to permit or close identified class V wells.

Progress toward Goal 1: Starting in 1998, DWSRF has provided funding to the UIC Program to complete a statewide inventory of Class V underground injection wells. Through an open and competitive process, NDEP selected an independent engineering contractor to assist in compiling the comprehensive inventory of Class V wells. Initial efforts in the program were to develop a list of wells and a comprehensive list of businesses that have a high probability of possessing the priority wells. Since the project is a multi-year project requiring more funding than is available from the first grant, it has been broken into several phases. The Class V inventory was completed on June 30, 2002. Follow-up compliance on Class V wells continued through SFY2005. Follow-up compliance on Class V wells is on-going. Many facilities are closing, rather than permitting their Class V wells.

Short-Term Goal 2: Develop database management system that has the ability to communicate with other State agency programs.

Progress toward Goal 2: It is planned to migrate SDWIS and EIMS, both currently housed at BHPS, to NDEP next year. As part of the project, UIC inventory and permitting data will be “merged” with EIMS contaminant source data to support future source water activities.

Short-Term Goal 3: Compile GIS database.

Progress toward Goal 3: This Goal is part of the Other Sensitive Ground Water Areas Project. The US Geological Survey has developed a GIS system to support the OSGWA program. All datasets have been compiled and were finalized in fall of 2004. The GIS system with OSGWA tools was delivered to NDEP in December 2004.

Short-Term Goal 4: Delineate hydrogeologic regions.

Progress toward Goal 4: The delineation of hydrogeologic regions is a project within the OSGWA project jointly funded with the USGS. The USGS completed the delineation of hydrogeologic regions in 2004. The report was published in October 2004. This report is one of four reports to be published under the OSGWA Project.

Short-Term Goal 5: Compile existing water quality data.

Progress toward Goal 5: USGS compiled the existing water quality data and finalized the database in 2003. Data was collected from the following sources:

USGS, NDEP, State Health Lab with help from NDEP, Department of Agriculture, and the Bureau of Health Protection Services. The final database has been delivered to NDEP Bureau of Water Pollution Control, and this database has been added to and updated with similar as well as different sources of data.

Short-Term Goal 6: Logistic regression.

Progress toward Goal 6: Under the OSGWA project, a logistic regression equation was looked at for determination of sensitive ground water areas, however, very poor correlations with real-world data were found under short-term goal 5 and 6. Logistic regression was eliminated from the project scope in late 2004, and replaced with a modified DRASTIC approach (DRASTIC is an aquifer vulnerability determination tool developed by the U.S. EPA).

4. Capacity Development

The long-term goal of capacity development effort under the 10% set-aside is to implement Nevada's Capacity Development Strategy including evaluating water systems capacity utilizing objective criteria and assisting water systems with technical, managerial and financial capability.

Short-Term Goal 1: Update database.

Progress toward Goal 1: All water systems that were willing to participate have been evaluated and given a score. All information collected was entered into a database. Having all information in a database has allowed NDEP to sort and analyze data and target future technical assistance.

Short-Term Goal 2: Perform data analysis to target technical assistance.

Progress toward Goal 2: Technical assistance is offered to those systems with the highest scores.

5. Operator Certification Program

The long-term goal is to improve the existing operator certification program to conform to the state and federal laws, regulations, and requirements.

Short-Term Goal 1: Support operator certification program as needed.

Progress toward Goal 1: Nevada has an Advisory Board for Operator Certification. The State Environmental Commission appoints members of the Board. The board meets quarterly and reviews operator related issues and makes recommendations for improvements to the program through regulatory changes. The Board also provides advisory oversight to the administration of the contract that the Division has with the California/Nevada Section of the American Water Works Association for certification testing. The Advisory Board in conjunction with the Bureau of Safe Drinking Water staff reviewed and recommended

revisions to regulations during the past year. These revisions dealt with system classifications, operator requirements, experience and education requirements for new certifications, and continuing education requirements for re-certification.

E. Progress toward Goals for Local Assistance Activities (15% Set-Aside, 2004 IUP, Section IV.D)

1. Loans for Source Water Protection Program

Nevada did not set aside any funds for loans to be made under this program. These loans would include loans for the acquisition of land or easements, for local, voluntary source water protection, or for source water petition programs.

2. Provide Funding to Public Water Systems to Provide Technical or Financial Assistance under the Capacity Development Strategy

The focus of capacity development under the 15% set-aside is in the implementation of the Capacity Development Strategy. Technical assistance providers under contract offer assistance on a variety of issues. The long-term goal is to provide assistance and training to improve water system's technical, managerial and financial capacity. Technical assistance providers under contract offer assistance on a variety of issues.

***Short-Term Goal 1:** Implement educational activities, including disseminating information, publishing "Water Lines", etc.*

Progress toward Goal 1: *Water Lines*, which is published quarterly, provides communication, education and outreach to all public water systems in Nevada. Over the years, *Water Lines* has developed a reputation for providing timely information to drinking water and wastewater systems throughout the state. Making information available quarterly establishes the publication as a consistent and reliable resource on regulations, guidelines, resources and training.

***Short-Term Goal 2:** Provide training/technical assistance to enhance technical, managerial and financial capabilities.*

Progress toward Goal 2: RCAC and Farr West Engineering have provided training and technical assistance in areas of compliance, operator training, board roles and responsibilities, budget development, evaluation of operations, preparation of manuals, identifying funding opportunities and, rate setting. In anticipation of the new arsenic standard effective January 2006, technical assistance was focused on arsenic management issues this year.

***Short-Term Goal 3:** Conduct comprehensive asset evaluations.*

Progress toward Goal 3: Comprehensive asset evaluations were conducted for Imlay and Round Hill GID. The effort of conducting asset evaluations proved to be very beneficial for the utilities and will be continued in the future.

3. State Source Water Protection Program

The DWSRF funds are utilized to enhance the existing Wellhead Protection Program (WHPP) administered by the Nevada Division of Environmental Protection (NDEP), which assists with the development and implementation of local Wellhead Protection Programs. The long-term goal of the wellhead protection program is to prevent contamination of ground water that supplies public water systems by enhancing and expanding the existing Wellhead Protection Program.

***Short-Term Goal 1:** Encourage local communities and tribes to participate in the State's procurement process to fund Wellhead Protection implementation measures.*

Progress toward Goal 1: A Request for proposals for WHPP grants is prepared and distributed to all community, non-transient/non-community and Native American Tribes in Nevada annually.

***Short-Term Goal 2:** Award funding to communities and tribes who are interested in implementing WHP measures.*

Progress toward Goal 2: In SFY05, \$105,273.91 in funding was awarded to water systems for WHPP.

***Short-Term Goal 3:** Engage in outreach activities and assist communities with implementation of contaminant management strategies.*

Progress toward Goal 3: NDEP ground water protection staff has provided program and technical assistance to entities interested in developing local WHPPs, and coordinated with Nevada Rural Water Association's ground water technician in giving assistance to small rural communities.

***Short-Term Goal 4:** Follow-up on BHPS vulnerability assessments.*

Progress toward Goal 4: No activity during SFY05 on short-term goal 4.

***Short-Term Goal 5:** Develop comprehensive, compatible GIS database.*

Progress toward Goal 5: NDEP has developed and is continually adding to the GIS database of ground water quality. Wellhead protection areas are routinely uploaded into GIS. NDEP receives sewer system data from county utilities and uploads it into the GIS tool developed for NDEP discharge permit writers. The GIS tool is routinely used by the Leaking Underground Storage Tank Branch.

***Short-Term Goal 6:** Revise and update Wellhead Protection Program.*

Progress toward Goal 6: No activity during SFY05 on short-term goal 6.

4. State Source Water Assessment and Protection Program (SWAP)

The Source Water Assessment and Protection Program is a requirement under the 1996 Amendments to the Safe Drinking Water Act. By May 2003, the state was required to complete all source water assessments and make information available to water systems and the public. Source water assessments (SWA) delineate the boundaries of the areas providing source water for public water systems and identify potential sources of contaminants.

Short-Term Goal 1: Continue to update SWAP database.

Progress toward Goal 1: BHPS in cooperation with NDEP published SWAP Summaries of Community public water systems by June 2004. These summaries were required to be included in the system's Consumer Confidence Reports since 2003.

Short-Term Goal 2: NDEP and BHPS will collaborate to define future source water protection program activities.

Progress toward Goal 2: NDEP, the lead agency for State Source Water Protection Program, has completed the State of Nevada Source Water Protection Program document. This document outlines the following objectives for the Source Water Protection Program.

- Coordinate the groundwater and surface water protection activities conducted by NDEP
- Increase NDEP's attention on the protection of surface water sources of drinking water, and
- Consolidate associated information management and reporting requirements

An NDEP engineer, whose salary is funded by the 15% set-aside, was on assignment to the BHPS drinking water program and assisted BHPS with the completion of the vulnerability assessment reports, well delineations, and the collection of well/intake locational data. This engineer published Source Water Assessment Reports for approximately half of the water systems before departing state service. The engineer vacancy has not been filled.

III. FINANCIAL SUMMARY

The following discussion provides additional details on the financial management activities in the DWSRF.

A. Financial Statements

Financial statements (unaudited) for the DWSRF are attached to this report as Appendix A and cover the operation of the DWSRF during SFY 2005 with

comparative figures for SFY 2004. Details of accounting policies, loans receivable, and bonds payable and other financial activity are found in the notes to those financial statements. The DWSRF is an “enterprise fund” and therefore the financial statements are prepared on an accrual basis in accordance with pronouncements of the Governmental Accounting Standards Board (GASB), as well as the Financial Accounting Standards Board (FASB).

The Office of the Inspector General (OIG) through United States Environmental Protection Agency (USEPA) conducted the most recent audit of the 2004 financial statements.

B. Status of Loans

A loan commitment of funds from the DWSRF is made when the Board for Financing Water Projects approves a recommendation from the Division for a loan commitment. A loan contract, which establishes the terms and conditions of the loan, is then negotiated between the Division and the loan applicant. Once the contract is signed, the funds can be drawn down from the ASAP system with appropriate justification of expenditures. Committed funds that remain undrawn without reason are deobligated.

As of June 30, 2005, the Drinking Water program has ten active projects that are paying interest on the amount drawn to date and nine completed projects that are fully drawn and repaying both interest and principal in regular semi-annual payments. Funds committed with approved loan contracts, as of June 30, 2005 were \$81,094,925.

Appendix B outlines the existing loans by recipient, date of contract, amount of the loan commitment and the interest rate. This appendix also lists the amount that each recipient has drawn, the amount repaid, and the remaining balance of the loan commitment.

C. Loan Disbursements/Cash Draw Proportionality

Six federal grants totaling \$67,049,700 have been awarded to the Program since its inception. The Program carries five general obligation bonds, which provide the required 20% match of \$13,409,940. An additional \$1,681,434 in bond proceeds has also been deposited to the Fund to match the grant (FS99996005-1) received early in SFY 2006.

As of June 30, 2005, the State has \$3,436,114 of matching funds available on deposit in the revolving loan fund, to be used against subsequent draws.

Nevada has disbursed or is obligated to make loan disbursements in the amount of \$81,094,925 as of June 30, 2005. The disbursements to date consist of \$9,994,640 of state funds and \$38,295,250 of federal funds, a ratio of 20.62% and 79.38%, respectively from inception.

Loan Disbursements for 2005 are listed below:

Date	Borrower	Total	Federal	State	Public	Private
7/1/04	IHGID#2Draw8	32,889.50	26,551.46	6,338.04	32,889.50	
7/1/04	IHGID#2Draw9	22,773.50	18,384.89	4,388.61	22,773.50	
7/6/04	Virgin Valley#7	433,625.71	350,063.00	83,562.71	433,625.71	
7/19/04	BigBend#6 final	376,926.55	304,290.17	72,636.38	376,926.55	
7/22/04	KGID #7	191,120.09	154,289.91	36,830.18	191,120.09	
8/6/04	Bbend#2draw#1	150,455.65	121,461.79	28,993.86	150,455.65	
8/31/04	GRGID#2draw3	490,497.63	395,975.30	94,522.33	490,497.63	
9/14/04	IVGID#1#1	1,206,895.00	974,317.89	232,577.11	1,206,895.00	
9/20/04	IHGID2#10	3,095.00	2,498.57	596.43	3,095.00	
10/11/04	VVWD#8	200,178.55	161,602.74	38,575.81	200,178.55	
11/15/04	VVWD#9	157,178.14	126,888.81	30,289.33	157,178.14	
11/19/04	IHGID2 #11	183,081.54	147,800.45	35,281.09	183,081.54	
12/6/04	KGID#8	261,495.16	211,103.21	50,391.95	261,495.16	
12/7/2004	IVGID#2	407,206.00	328,734.55	78,471.45	407,206.00	
12/17/2004	IHGID2#12	22,879.29	18,470.29	4,409.00	22,879.29	
12/17/2004	GRGID2#4	293,416.76	236,873.30	56,543.46	293,416.76	
1/5/2005	BBWD2#2	104,453.20	84,324.34	20,128.86	104,453.20	
2/3/2005	KGID #9	32,653.51	26,360.95	6,292.56	32,653.51	
3/14/2005	IHGID2 #13	18,419.81	0.00	18,419.81	18,419.81	
4/19/2005	Fallon #4	231,169.00	0.00	231,169.00	231,169.00	
5/2/2005	IHGID2 #14	113,290.99	0.00	113,290.99	113,290.99	
5/2/2005	Bigbend2 #3	15,000.00	0.00	15,000.00	15,000.00	
6/9/2005	TMWA	927,065.90	704,500.00	222,565.90	927,065.90	
6/9/2005	Washoe Cty #1	1,191,797.91	946,168.36	245,629.55	1,191,797.91	
6/30/2005	IHGID #15	257,090.67	204,104.28	52,986.39	257,090.67	
		7,324,655.06	5,544,764.26	1,779,890.80	7,324,655.06	
		Total Request	Federal	State		
SFY00		12,269,695.00	9,757,935.00	2,511,760.00		
SFY01		12,687,312.72	10,128,113.29	2,559,199.43		
SFY02		4,009,897.18	3,216,483.50	793,413.68		
SFY03		5,176,506.46	4,185,239.70	991,266.76		
SFY04		6,450,955.42	5,206,788.42	1,244,167.00		
SFY05		7,324,655.06	5,544,764.26	1,779,890.80		
Cumulative Draws		\$47,919,022	\$38,039,324	\$9,879,698		
Total Proportionality		100.00%	79.38%	20.62%		

D. Set-Aside Disbursements

Nevada has disbursed \$10,714,438 in set-aside funds since the DWSRF program's inception. Appendix C includes a chart, which shows grant amounts expended with remaining balances available by grant year.

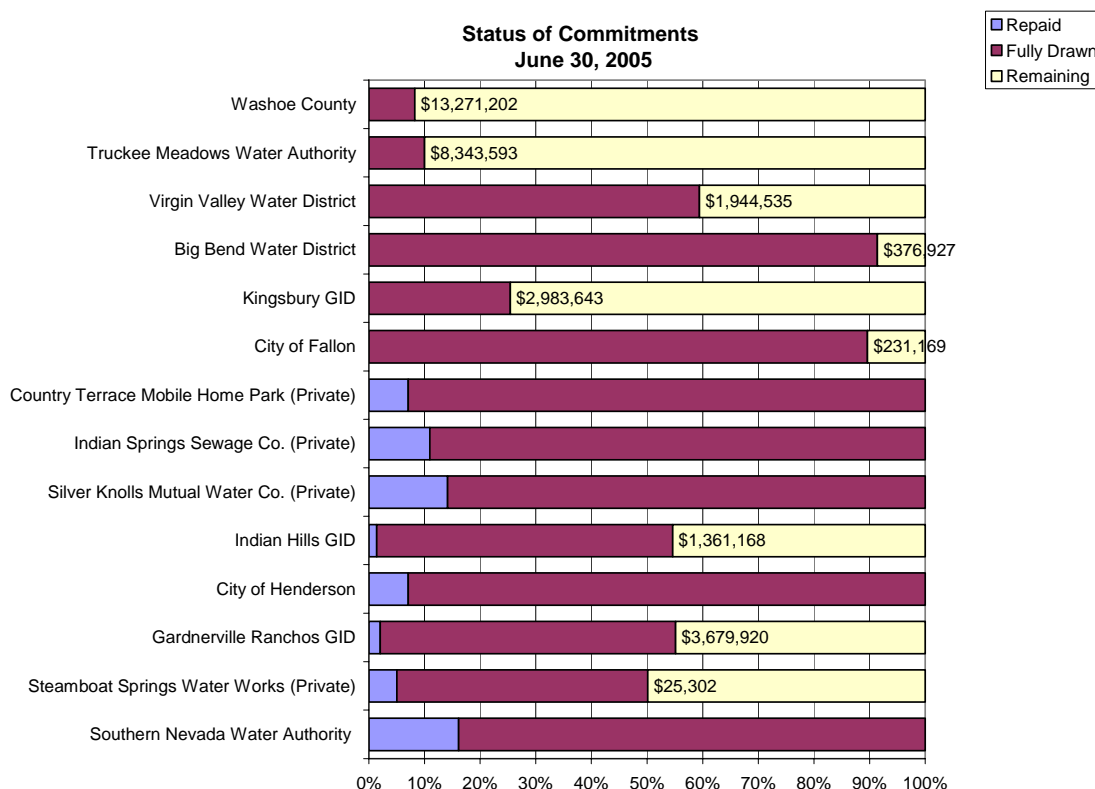
E. Annual Repayment/Aging of Accounts

The DWSRF received \$2,599,960 in scheduled loan repayments during SFY05. Two early loans to Southern Nevada Water Authority represent 42% of the Program's loans receivable; their repayments alone provided \$879,007 in principal and \$684,597 in interest. In SFY06 the Program is scheduled to receive loan repayments of \$3,167,575. A schedule of repayments on completed projects for the next twenty years is contained in the notes to the financial statements.

F. Loan Portfolio Analysis

Appendix B outlines the details of each loan by date of contract execution, date and amount of the commitment, interest rate, draws to date, remaining commitment and

balance due. Fifteen of the approved contracts are to municipal governments (Southern Nevada Water Authority; Gardnerville Ranchos GID; City of Henderson, Indian Hills GID, Washoe County, City of Fallon, Kingsbury GID, Big Bend Water District, Virgin Valley Water District and Truckee Meadows Water Authority). Four of the approved contracts are to private entities (Steamboat Springs Water Works; Silver Knolls Mutual Water Company, Indian Springs Sewage Company and Country Terrace Mobile Home Park).



In accordance with statutory and regulatory requirements of the State of Nevada, the municipal governments secure the loan with a revenue bond issued to the State Treasurer. The private systems, at a minimum, provide a dedicated interest-bearing reserve account equal to the annual loan repayment and provide additional security as necessary.

G. Investments Revenues

The DWSRF had \$11,641,572 in cash and cash equivalents on the balance sheet as of June 30, 2005. The balance is held at the Office of the State Treasurer, where it is invested in compliance with state law and investment practices. The Division monitors the DWSRF cash balance to confirm that the Treasurer credits interest to the Program. Rates are adjusted quarterly, and ranged from 1.69% to 3.23% for SFY 2005. Balances held with the Treasurer are available on demand.

H. DWSRF National Information Management System (DWSRF NIMS)

The National Information Management System (NIMS) report that was filed in August 2005. The information provided in that report will differ from that presented in the financial statements because the NIMS data is prepared on the cash basis, with information available through early August, while the financial statements are prepared on the full accrual basis, with information available through the close of the year. More information on NIMS is on the web at <http://www.epa.gov/safewater/dwsrf/dwnims.html>.

IV. DWSRF FUNDING SOURCES AND USES

In this section, the Division provides a detailed discussion of the DWSRF assistance activities during SFY 2005. Details of the sources of funding in the DWSRF program, the status of loan activities, and the statuses of set-aside activities are discussed. Refer to Appendix A for the complete financial statements.

A. Sources of DWSRF Funding

The net funding provided for the DWSRF program from inception through June 30 2005 totaled \$67,397,877. This includes \$49,943,318 from capitalization grants \$15,091,374 from state matching contributions (required 20% match for grants), and \$5,732,899 in interest earned (\$1,106,945 in investment interest and \$4,625,954 in loan interest), less \$3,369,714 of expenditures for state match bond debt service.

1. Capitalization Grants

EPA awarded NDEP a grant for \$8,003,100 on January 18, 2005.

2. 20% State Match

The most recent bond sale was in April of 2005, when the State Treasurer issued general obligation bonds on behalf of the Program (referenced as NEVD RK 2005E) in the face amount of \$8,085,000, which yielded net proceeds for matching in the amount of \$3,285,669, and the remainder was used to refund two older bonds in order to take advantage of lower interest rates. The funds deposited to the Program's accounts provide the required state match for the 2005 grant and the 2005 grant amendment.

3. One to One State Match—10% Set-Aside Program

The 10% set-aside required the state provide 1:1 match for \$766,926 of federal funds. This match was provided from three sources: \$238,129 in SFY 1993 expenditures, \$361,720 in SFY 2004 overmatch expenditures in the Public Water System Supervision program and \$167,077 in fees collected and funds spent by the Nevada Division of Environmental Protection in the Water Pollution Control Program.

4. Interest Earnings

Interest revenue from cash deposits held with the State Treasurer was \$225,582. Interest revenue from outstanding loans for 2005 was \$1,430,193.

B. Uses of DWSRF Funds

From inception to SFY 2005, the DWSRF program made \$81,094,925 in loan commitments to public water systems. During SFY05, the program incurred \$2,066,536 in set-aside program expenses. This set-aside assistance included program administration expenses (\$261,821), state program management expenses (\$632,119), technical assistance to small systems expenses (\$173,687) and other local assistance expenditures (\$998,909).

1. Loan Assistance Status

The Division made cash draws of \$7,067,564 on behalf of projects during SFY05. The loan terms for the projects are for 20 years with an interest rate of 2.81% to 4.03%.

2. Binding Commitments

In SFY05, the Board for Financing Water Projects approved four binding loan commitments for a total of \$31,733,659. As of June 30, 2005, a total of \$81,094,926 was committed to water projects either by loan contract or by loan commitment. See Appendix B for detailed information on loans.

3. Project Bypass

The Division bypassed a number of projects on the 2005 Project Priority List. The projects that were bypassed were provided notice and an opportunity to object as required by NAC 445A.67573. Since the Division has determined which projects are ready to proceed before considering bypassing, projects being bypassed have not objected to being bypassed.

4. Small Systems

The SDWA requires that a state use a minimum of 15% of the loan fund to provide assistance to small systems (population less than 10,000) to the extent such funds can be obligated for eligible projects. On the 2005 Priority List, 88% of the systems are "small systems."

Two of the four loan commitments in SFY 2005 were to "small systems" representing 64.5% of the total funds committed in SFY 2005.

Through the 2% technical assistance set-aside, assistance has been provided to several small systems to assist them qualifying for future funding.

5. Disadvantaged Community Systems

Federal regulations allow a state to take up to 30% of the capitalization grant to provide loan subsidies to disadvantaged communities either through reduced or zero interest or principal forgiveness or combination of these. In order to provide loan subsidies, the subsidies must first be described in the IUP. In SFY05, Nevada did not identify a specific program of loan subsidies utilizing DWSRF funds for disadvantaged communities other than what is described below.

The regulations pertaining to the DWSRF (NAC 445A.67569) provide a mechanism that improves the ranking of disadvantaged communities based on median household income, thereby providing lower income communities with better access to the loan funds. Nevada has several other federal and state grant programs to which these communities can apply for subsidized loans or outright grants of funds.

The Nevada Administrative Code defines a disadvantaged community as an area served by a public water system in which the median household income is less than 80 percent of the state median household income.

In addition to meeting the definition of disadvantaged community, the IUP identifies that a public water system would have to meet the affordability criteria of water rates being greater than or equal to 1.5% of water system median household income. Additional criteria for a disadvantaged program are being considered including the degree of public health threat and the urgency of the need for the project. It is envisioned that initially, the disadvantaged program will offer reduced interest rate or zero interest rate loans.

6. Set-Aside Activity Status

Nevada developed and submitted an Integrated Workplan in September 2003 that covers a 2-year period from July 1, 2003 through June 30, 2005. USEPA approved this workplan in January 2004. In spring of 2005, Nevada began work on the next 2-year workplan which will cover the period July 1, 2005 through June 30, 2007.

The tables in Appendix C show how federal funds from the Capitalization Grants were distributed between each set-aside program. The set-aside accomplishments and activities are described in Section II Goals and Accomplishments.

V. COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS

A. Operating Agreement—Assurances

Nevada has complied with the conditions of the DWSRF Operating Agreement. An amendment to the original Operating Agreement was submitted to USEPA on July 7, 1999 and approved (with an amendment) on September 30, 1999. After the program transferred from the Health Division to the Division of Environmental Protection, Nevada revised the Operating Agreement and submitted the draft to USEPA. USEPA has yet to provide final comments on the draft to NDEP.

The Division has met and continues to be in compliance with the following Assurances as described in the Operating Agreement:

1. State Instrumentality and Authority to Establish the State's DWSRF Program

Authority to establish Nevada's DWSRF program was initially accomplished with the passage of SB 302 in the 1997 Legislature. Furthermore, AB 134 adopted by the 1999 Legislature clarified that the Division has the authority to implement the SDWA's capacity development and operator certification requirements. These statutes are codified in NRS 445A.200 to 445A.295, inclusive and can be found at the following Internet URL: <http://www.leg.state.nv.us/NRS/NRS-445A.html>. AB 473, adopted by the 2003 Legislature, transferred the DWSRF from the Health Division to NDEP.

2. State Compliance with Applicable State Laws and Procedures

To the best of its knowledge, the Division has complied with applicable state laws and procedures in providing notice, holding workshops and hearings and providing opportunities for public water systems to comment and participate in the development of the DWSRF program.

3. State Technical Capability

The DWSRF staff has the technical capability to develop and administer the DWSRF program.

4. Acceptance of Capitalization Grant Funds in Accordance with a Payment Schedule

The Division has accepted capitalization grant funds in accordance with the payment schedule acknowledged in Item D, Programmatic Conditions, 2003 USEPA Assistance Agreement (September 24, 2003), Item C, Programmatic Conditions, 2005 USEPA Assistance Agreement (January 18, 2005).

5. Depositing of All Capitalization Grant Funds into the Account for the Revolving Fund or the Account for Set-Aside Programs

All capitalization grant funds have been deposited into either the account for the revolving fund or the account for set-aside programs.

6. State Matching Funds (20% for DWSRF Account)

The Division has worked with the State Treasurer to ensure that proceeds from the sale of state general obligation bonds (to provide the required 20% state match) were deposited into the account for the revolving fund.

7. Depositing of All Proceeds Back into the Fund

Nine loan recipients are repaying the principal for their loans. Principal payments in the amount of \$1,244,362 and interest payments in the amount of \$1,355,598 were received and deposited into the fund during SFY 2005.

8. State Dollar-for-Dollar Match for Section 1452(g) (2) Set-Asides

In its 2004 Capitalization Grant application, the Division identified a total of \$766,926 in state match sources to meet the requirements of the Section

1452(g)(2) set-asides. These sources are identified in Attachment E to the 2004 IUP and consist of 1993 PWSS expenditures, 2003 PWSS expenditures in excess of the 25% required match, and NDEP expenditures for the water pollution control program.

9. Utilization of Generally Accepted Accounting Principles

The Division utilizes Generally Accepted Accounting Principles (GAAP).

10. Annual DWSRF Audit in Accordance with Generally Accepted Government Auditing Standards

The Office of Inspector General through USEPA, Region IX, began an audit of Nevada's DWSRF 2004 financial statements. An audit report did not become available during SFY05.

11. Policies and Procedures to Assure Borrowers have Dedicated Source of Repayment or Demonstration of Adequate Security

Policies, procedures and regulations are in place to require adequate security for loans or dedicated source for repayment by the borrower of the loan. The State Board of Finance has adopted policies developed by the State Treasurer and the Division has worked with the State Treasurer and loan applicants to ensure that this policy is followed.

12. Efficient, Expeditious and Timely Expenditure of Funds

As of June 30, 2005, the Division had committed the entire loan funds awarded to date.

13. Funds to be used in Accordance with Intended Use Plan

Funds have been used in accordance with the IUP dated August 2004.

14. Annual Report

This document is the Annual Report.

15. State Compliance with all Federal Cross-Cutting Authorities

The Division has attempted to comply with all federal crosscutting authorities.

B. Operating Agreement—State Requirements

The Division has attempted to comply with the following Requirements as described in the Operating Agreement:

1. 40 CFR Part 31 Assurances

The Division has, or is intending, to meet the requirements of 40 CFR Part 31, Uniform Administrative Requirements for Grant and Cooperative Agreements to State and Local Governments.

2. Review of Technical, Managerial and Financial Capability of Assistance Recipients

The regulations developed for the DWSRF program (NAC 445A.6571 to 445A.67644, inclusive) provide for the review of the technical, managerial and financial capability of potential loan assistance recipients. All loan recipients receive a technical, managerial and financial capability review. In addition, the approved capacity development strategy and technical assistance program serves to assist public water systems in improving their capacity.

3. Preparation of an Intended Use Plan

The Division has prepared an IUP for each capitalization grant applied for thus far. The project priority list is part of the IUP and may be amended from time to time. Specific workplans the set-aside programs are developed from the general outline found in the IUP.

4. Development and Submittal of a Project Priority Ranking System

The Project Priority Ranking System is described generally in the IUP and codified in NAC 445A.67569. In SFY05, the State Board for Financing Water Projects adopted “Revision 1 to Year 2004 Project Priority List” on July 20, 2004, “Revision 2 to Year 2004 Project Priority List” on October 19, 2004 and “Year 2005 Project Priority List” on April 27, 2005.

5. Environmental Review

The environmental review process is codified in NAC 445A.6758 to 445A.67612, inclusive. It has been reviewed by USEPA, generally follows the provisions of the National Environmental Protection Act and applies to all projects. Binding commitments on DWSRF projects are made only after the Division has conducted an environmental review, and a determination is made and distributed.

6. Entering into Binding Commitments with Assistance Recipients

Recommendations by the Division for loan commitments must be submitted to, and approved by the Board for Financing Water Projects after all of the conditions of a loan application are fulfilled, including the environmental review process. Once this approval is obtained, a loan contract is negotiated between the Division and the loan applicant. The State Treasurer reviews terms and conditions of the loan agreement. Local governmental entities must also issue securities in the form of a bond to the State Treasurer in accordance with Nevada’s Local Government Securities Law (NRS 350.500 to 350.720, inclusive). These local securities must be issued to the State Treasurer at the time the loan closes. Upon final signature by the loan applicant and the Division Administrator, and having satisfied loan security, the loan applicant may have access to the funds, provided all other requirements are met.

7. State/Recipient Compliance with Applicable Federal Cross-Cutting Authorities

The loan contract requires that loan recipients comply with applicable federal crosscutting authorities. The state is required to comply with applicable federal crosscutting authorities by the assistance and operating agreements it signs with USEPA and by applicable federal regulations.

C. USEPA Assistance Agreement--Terms and Conditions

The Administrative Terms and Conditions listed below are from the FFY03 grant award.

1. USEPA Program for Utilization of Small, Minority and Women's Business Enterprises

Following is a discussion pertaining to each subparagraph of this Assurance.

a) Fair share

The "fair share" goals of MBE: 6.28% and WBE: 15.51 % negotiated with EPA by the state in FY1999 are still in effect. The Division engaged a contractor to develop an availability analysis upon which it could rely for establishing future goals. The availability analysis is complete and was submitted to USEPA. Contractors are made aware of "fair share" goals through contracts.

b) Ensure availability of "fair share" objectives

Affirmative steps to achieve MBE/WBE goals are included in the DWSRF regulations and are required of all loans and grant recipients. To the fullest extent possible, given the Division's limited resources, prime contractors are made aware of these steps.

c) Fair share objectives in bid documents

Contractors are made aware of the six affirmative steps and the "fair share" goals are included in the loan contract documents.

d) Follow the six affirmative steps

Loan recipients are made aware of the six affirmative steps.

e) Notify EPA in advance of any race and/or gender conscious action plans

NDEP did not initiate any race and/or gender conscious action during SFY04.

f) Apply main State agency fair share objective

See answer to "a" through "e" above.

2. MBE/WBE Utilization Reports

The Division filed its MBE/WBE Utilization Reports SFY05 on September 15, 2004.

3. Hotel & Motel Fire Safety Act

As best it can determine, the Division held its DWSRF meetings and conferences in buildings that comply with this Act.

4. Use of Recycled Paper

This report is printed on recycled paper.

5. Identification of in-kind in expenditures Financial Status Report

DWSRF did not have any in-kind expenditure in SFY04.

6. Indirect Cost

Indirect costs are in accord with the Negotiated Indirect Cost Rate Agreement(s), as negotiated from time to time.

7. Require subrecipients submit appropriate lobbying certification and disclosure forms.

None of the funds have been used to engage in the lobbying of the federal government or litigation against the U.S.

8. Lobbying and Litigation Certification

None of the funds have been used to engage in the lobbying of the federal government or litigation against the U.S.

9. Limit salary paid to contractors to maximum daily rate for GS-18.

Salaries paid to contractors did not exceed the rate for GS-18.

10. Comply with Subpart C of 40 CFR Part 32, entitled “Responsibilities of Participants Regarding Transactions”.

The Programmatic Terms and Conditions listed below are from the FFY04 grant award.

A. The recipient is required to implement the following on an annual basis:

- enter relevant financial and program information into the Drinking Water National Information Management System (DWNIMS)
- submit an annual report by December 30 on State accomplishments in meeting the goals and objectives of the IUP and grant agreement; and
- conduct an audit to assure adequate financial management of the program

B. The recipient will abide by all terms, provisions, assurances and conditions in the Operating Agreement (OA). Changes to the OA are to be negotiated prior to submittal of the annual capitalization grant application

C. The recipient will follow the payment schedule according to the following table. Changes to the payment schedule may be negotiated during the year and

must be approved by EPA; however, no payment can be taken later than September 30, 2006. (original negotiated payment schedule was Oct 2004 and Jan 2005.

<u>FFY</u>	<u>DATE</u>	<u>AMOUNT</u>	
05	Award Date	\$2,266,709	All Set Asides (4%, 2%, 10%, 15%)
05	Award Date	\$6,036,391	

D. Any purchases of equipment that are more than \$5,000 per unit must receive prior approval from the EPA Project Officer.

D. EPA Strategic Plan Information

<i>Loan Recipient</i>	Big Bend Water District		
<i>System #</i>	NV0004062	<i>Population Served</i>	8,000
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	3.20%
<i>Project Description</i>	Transmission	<i>Loan Amount</i>	\$6,000,000

<i>Loan Recipient</i>	Incline Village GID		
<i>System #</i>	NV0000158	<i>Population Served</i>	12,000
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	3.08%
<i>Project Description</i>	Distribution	<i>Loan Amount</i>	\$2,000,000

<i>Loan Recipient</i>	Washoe Co. – Hidden Valley		
<i>System #</i>	NV0000198	<i>Population Served</i>	3,934
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	2.81%
<i>Project Description</i>	Arsenic Compliance	<i>Loan Amount</i>	\$14,463,000

<i>Loan Recipient</i>	Truckee Meadows Water Authority		
<i>System #</i>	NV0000190	<i>Population Served</i>	300,000
<i>Type of Assistance</i>	DWSRF Loan	<i>Interest Rate</i>	3.21%
<i>Project Description</i>	Arsenic Compliance	<i>Loan Amount</i>	\$9,270,659

Appendix A

**Unaudited Financial Statements
for the
State of Nevada
Drinking Water State Revolving Fund
For the Period
July 1, 2004 through June 30, 2005**

The accompanying statement of net assets of the Nevada Drinking Water State Revolving Fund Program (Program) as of June 30, 2005, the related statement of revenues, expenses, and changes in net assets, and the statement of cash flows for the fiscal year then ended have been prepared by the Program's management. These financial statements are the sole responsibility of the Program's management and are meant to provide the reader with information regarding the current financial status, as well as the results of operations of the Program, over the fiscal year ended June 30, 2005.

These financial statements were prepared by the Program's management in accordance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board (GASB). Management of the Program is solely responsible for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Program as of June 30, 2005, and the results of its activities and its cash flows for the year then ended in conformity with general accepted accounting principles in the United States. These financial statements are not audited and as such, have not been subjected to examination by an outside "independent auditor".

As discussed in Note 1, the financial statements referred to above are intended to present the financial position and results of operations of the Program, a component of an Enterprise Fund of the State of Nevada. These statements are not intended to present the financial position or results of operations for the State of Nevada or the Nevada Division of Environmental Protection, of which the Program is a part.

Supervisor, Drinking Water State Revolving Fund
Carson City, Nevada
Monday, December 12, 2005

State of Nevada
Drinking Water State Revolving Fund
Statement of Net Assets
As of June 30, 2005

Assets			
		<u>2005</u>	<u>2004</u>
Current assets:			
Cash and cash equivalents		11,641,572	8,666,447
Loan interest receivable		720,460	645,865
Investment interest receivable		28,753	9,878
Due from other funds		4,335	
Federal grants receivable		1,042,901	605,449
Loans receivable-current portion		<u>1,690,723</u>	<u>1,213,297</u>
Total current assets		15,128,744	11,140,936
Loans receivable-long term portion		42,544,809	36,941,942
Unamortized cost of bond issuance		250,102	148,646
Equipment, net of depreciation		11,329	17,194
Total Assets		<u><u>\$ 57,934,983</u></u>	<u><u>\$ 48,248,717</u></u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		532,689	570,220
Accrued payroll		12,912	16,434
Accrued interest		182,672	225,146
Construction costs payable		257,091	0
Arbitrage rebate payable		0	11,800
Current portion of bonds payable		<u>600,000</u>	<u>590,000</u>
Total current liabilities		1,585,364	1,413,600
Long term liabilities:			
Bonds payable		<u>13,655,966</u>	<u>10,857,716</u>
Arbitrage rebate payable		<u></u>	<u></u>
Total long term liabilities		13,655,966	10,857,716
Total liabilities		15,241,330	12,271,316
Net assets:			
Invested in capital assets		11,329	17,194
Restricted for revolving loans		<u>42,682,324</u>	<u>35,960,207</u>
Total net assets		<u>42,693,653</u>	<u>35,977,401</u>
Total liabilities and net assets		<u><u>\$ 57,934,983</u></u>	<u><u>\$ 48,248,717</u></u>

The accompanying notes are an integral part of the financial statements.

State of Nevada
Drinking Water State Revolving Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
Revenues:		
Interest earned on loans	1,430,193	1,238,789
Federal set-aside revenues	2,079,448	2,254,462
Interest earned on investments	225,582	144,935
Total revenues	<u>3,735,223</u>	<u>3,638,186</u>
Expenses:		
Set-asides:		
Administrative	261,821	278,663
State program management	632,119	835,884
Local assistance	998,909	864,581
Technical assistance	173,687	147,336
Debt service on bonds	477,947	490,126
Trust agent fees		924
Depreciation expense	5,865	5,865
Amortization of cost of issuance	13,387	9,318
Arbitrage rebate expense		(39,600)
Total expenses	<u>2,563,735</u>	<u>2,593,097</u>
Operating income	1,171,488	1,045,089
Non-operating income:		
EPA capitalization grant	5,544,764	5,206,788
Change in net assets	6,716,252	6,251,877
Net assets, beginning of year	35,977,401	29,725,524
Net assets, end of year	<u><u>\$ 42,693,653</u></u>	<u><u>\$ 35,977,401</u></u>

The accompanying notes are an integral part of the financial statements.

State of Nevada
Drinking Water State Revolving Fund
Statement of Cash Flows
For the year ended June 30, 2005

Cash flows from operating activities:

	<u>2005</u>	<u>2004</u>
Principal received on loans	1,244,362	1,131,681
Interest received on loans	1,355,598	1,130,066
Interest received on investments	206,707	156,782
Cash received from EPA for set-asides	1,846,100	2,808,519
Disbursements to loan recipients	(7,067,564)	(7,538,945)
Trust agent fees		(924)
Cash paid for set-aside activities	<u>(2,107,589)</u>	<u>(2,118,145)</u>
Net cash used by operating activities:	(4,522,387)	(4,430,966)

Cash flows from noncapital financing activities:

Grants from EPA for loans	5,340,660	6,049,796
Bond proceeds	8,047,974	3,252,493
Payment to escrow agent for refunded debt	(4,762,234)	
Bond principal redemption	(590,000)	(305,000)
Interest payments on bonds	(527,089)	(457,501)
Arbitrage Expense	<u>(11,800)</u>	
Net cash provided by noncapital financing activities:	7,497,511	8,539,788
Net increase in cash	2,975,125	4,108,822
Cash and cash equivalents, beginning of year	<u>8,666,447</u>	<u>4,557,625</u>
Cash and cash equivalents, end of year	<u><u>11,641,572</u></u>	<u><u>8,666,447</u></u>

Reconciliation of operating income to net cash used for operating activities

Operating Income	1,171,488	1,045,089
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Adjustments to reconcile operating income to net cash used by operating activities:

Depreciation and amortization	19,252	15,812
Interest on bonds	477,947	490,127

Change in assets and liabilities:

(Increase) in loan interest receivable	(74,595)	(108,723)
(Increase) Decrease in investment interest receivable	(18,875)	11,847
(Increase) in loans receivable	(6,080,293)	(5,319,274)
(Increase) Decrease in set-aside grants receivable	(233,349)	554,057
(Decrease) in arbitrage rebate payable		(39,600)
(Decrease) Increase in accounts payable	(37,531)	531
(Decrease) Increase in accrued payroll	(3,521)	7,158
Increase (Decrease) in construction costs payable	257,091	(1,087,990)
Total adjustments	(5,693,874)	(5,476,055)

Net cash used by operating activities	(4,522,387)	(4,430,966)
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The accompanying notes are an integral part of the financial statements.

Note 1. Organization of the Fund

The Nevada Drinking Water State Revolving Fund Program (the Program) was established in 1997 pursuant to Nevada Revised Statutes 445A.200 .445A.295 and the Federal Safe Drinking Water Act (SDWA). The Program was established to provide assistance to Nevada's public water systems for projects that meet the eligibility requirements of the SDWA. The SDWA also allows the State to "set aside" up to 31% of the annual capitalization grants for administration of the Program (up to 4%), supplemental funding for the State's Public Water System Supervision program (up to 10%), for technical assistance to small public water systems (up to 2%), and for other technical or financial assistance to public water systems (up to 15%).

The Program is administered by the State of Nevada's Department of Conservation and Natural Resources, Division of Environmental Protection (NDEP) through the Bureau of Water Pollution Control (the Bureau). The Bureau has developed policies and procedures for the loan and set-aside programs to meet the objectives of the State and Federal Acts and to properly manage and coordinate the Program. The Bureau determines the level of funding to be contributed to the loan fund and used for loans and the amount to be set-aside for other eligible activities. The Bureau reviews loan applications for eligibility and subsequently prioritizes eligible projects with those compliance-related projects addressing public health risks receiving the highest ranking. The Bureau's staff reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, its ability to complete the project, and the environmental impacts of the project. A list of prioritized loan applications is forwarded to the Board for Financing Water Projects for approval. Funding is offered to the highest-ranking projects that are ready to proceed, until all available funds are used.

Beginning in 1997, the Program received annual capitalization grants from the U.S. Environmental Protection Agency (EPA). Nevada is required to provide an amount equaling 20 percent of the Federal capitalization grant as matching funds in order to receive each grant. As of June 30, 2005, EPA had awarded \$67,049,700 in capitalization grants for the Program, and Nevada is required to provide \$13,412,028 as its matching share. The match has been funded from proceeds of state match bonds issued on behalf of the Program by the State Treasurer's Office.

The Bureau has a small professional staff dedicated solely to performing services for Program activities. The allocated portion of salaries and benefits of employees for time spent working on Program activities, as well as indirect costs based on payroll costs, are charged to the Program. Employees charging time to the Program are covered by the State of Nevada Public Employee's Benefit Plan.

The Program financial statements, footnotes, and related schedules are presented for the U.S. Environmental Protection Agency. The Program's account balances and activities are included in Nevada's Comprehensive Annual Financial Report (CAFR) as part of the Water Projects Loan Fund, a major enterprise fund which uses the accrual basis of accounting. Because the Program is blended with other water pollution control programs, its assets, liabilities, equity and activities are not identifiable in Nevada's CAFR. Also, because of the different reporting methods, there may be differences between the amounts reported in these financial statements and Nevada's CAFR.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The program presents its financial statements as an enterprise fund. This method follows the accrual method of accounting, whereby revenues are recorded as earned and expenses are recorded when the liability is incurred. An enterprise fund is used since the Program's operations are similar to a financing institution where net income and capital maintenance are appropriate determinations of accountability that provide information to the EPA in evaluating whether the Program is operating within the requirements of the Safe Drinking Water Act. All assets and liabilities associated with the operations of the Program are included in the balance sheet. Assets are depreciated over the useful life of the asset, using the straight-line method. In preparing the Program's financial statements, Nevada follows the accounting pronouncements of the *Governmental Accounting Standards Board* (GASB), as well as statements issued by the *Financial Accounting Standards Board* (FASB) before November 30, 1989, unless FASB pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

The Nevada State Treasurer is an elected Constitutional Officer and part of the Executive Branch of the State government. The Treasurer is responsible for the handling of all State cash as a fiscal agent for the fund. The Treasurer manages an investment pool where all temporary surplus cash is invested. The investment pool has the same general characteristics as demand deposit accounts, and invested funds are considered to be cash equivalents. Management of the Program does not have control over the investment of excess cash and the statement of cash flows considers all funds deposited with the Treasurer to be cash and cash equivalents, regardless of actual maturities of the underlying investments. Deposits with the Nevada State Treasurer are accounted for on the balance sheet as cash and cash equivalents. Investment interest earnings on these deposits are received by the program on a quarterly basis.

Loans Receivable

Nevada operates the Program as a direct loan program, whereby the majority of loans made to water systems are funded by the Federal capitalization grant and from state matching funds. Additional loans can be made from revolving funds that have been repaid to the Program and Program earnings. The Program's loans are evidenced by a formal loan contract between NDEP and the borrower. Loan funds are disbursed to borrowers after they incur costs for the purposes of the loan. Federal grant funds are distributed to the State when the disbursement is made to the borrower.

Interest rates are based on the 20 year Bond Buyer Municipal Index for water systems that use a General Obligation bond to secure the loan, and on the 25-year Bond Buyer Municipal index for all others. Rates currently range from 2.81 to 4.03 percent. In determining the interest rate that is offered to a loan recipient, the rate of interest as published by the Bond Buyer Municipal Index on the Friday preceding the date that the loan contract is executed is multiplied by a set percentage, which is currently sixty-six percent (66%).

Note 2. Summary of Significant Accounting Policies (continued)

Bonds Payable

The State issues state match bonds to meet its state match obligation. Bond premiums, discounts and cost of issuance are amortized over the life of the bonds. All bonds are backed by the full faith and credit of the State of Nevada, with the Program primarily responsible for repayment.

Contributed Capital

In accordance with generally accepted accounting principles applicable for the reported periods, funds received from EPA for the capitalization of the revolving loan fund are recorded as contributed capital rather than as fund revenue and are recognized when all eligibility requirements have been met.

Note 3. Cash and cash equivalents

All monies of the Program are deposited with the Nevada State Treasurer and are considered cash and cash equivalents. The Treasurer is responsible for maintaining and investing the pooled cash balances in accordance with Nevada laws. The Treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. The Program's share of the investment income is based on the average daily balance for the period and is credited to the Program quarterly. Details of the investments can be obtained from the State Treasurer's Office.

All cash and investments are stated at fair market value. Investments held by the State Treasurer's Office are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Not subject to categorization:

Consolidated cash pool:	Carrying <u>amount</u>	Market <u>Value</u>
	\$ 11,631,702	\$11,641,572

Note 4. Loans Receivable

The Program makes loans to qualified public water systems for projects that meet the eligibility requirements of the SDWA. Loans have been financed by federal capitalization grants and state match contributions. As of June 30, 2005, \$38,499,355 in federal funds and \$9,994,640 in state match had been disbursed for loans. Effective interest rates on loans vary between 2.81 and 4.03 percent. Loan maturities are 20 years. Semi-annual payments are due January 1 and July 1, beginning within six months after the project is completed, or three years after the first loan draw is paid. The loan contract requires the public entities to issue local bonds to secure the loan amount which the State has pledged as collateral for bonds payable.

Note 4. Loans Receivable – continued

Loans receivable as of June 30, 2005 are as follows:

	Authorized Loan Amounts	June 30, 2004 Balance	Amount Disbursed	Principal Repaid	Outstanding Balance
Completed Projects	39,597,366	35,568,685	0	1,244,362	34,324,324
Projects in Progress	41,433,659	2,586,554	7,324,655	0	9,911,209
Total	<u>81,031,025</u>	<u>38,155,239</u>	<u>7,324,655</u>	<u>1,244,362</u>	<u>\$44,235,532</u>
	Less amounts due within one year				1,690,723
	Non-Current loans receivable, June 30, 2005				42,544,809

Loans mature at various intervals through July, 2026. The scheduled principal and interest payments on completed projects maturing in subsequent years are as follows:

Year ending June 30:	<u>principal</u>	<u>interest</u>	<u>total</u>
2006	1,689,386	1,478,189	3,167,575
2007	1,754,667	1,474,236	3,228,903
2008	1,891,151	1,400,844	3,291,995
2009	2,041,987	1,333,103	3,375,090
2010	2,113,981	1,261,110	3,375,091
2011-2015	11,742,215	5,133,237	16,875,452
2016-2020	13,953,673	2,910,986	16,864,659
2021-2025	8,022,061	800,480	8,822,541
2026-2030	1,026,410	40,545	1,066,955
	<u>44,235,531</u>	<u>15,832,730</u>	<u>60,068,261</u>

Note 5. Bonds Payable

The State issues bonds to provide the required matching funds. As of June 30, 2005, Nevada had deposited matching funds from the net proceeds of these bonds totaling \$15,087,039. The bonds are general obligations of the State to which the full faith and credit of the State is pledged. The State expects that the loan interest payments received from public water systems will be in excess of the requirements necessary to service debt on the bonds. Interest on the bonds is payable semiannually with rates ranging from 5.1% to 5.75%. Principal is due annually through 2020 with optional early redemption, at the option of the State, with early redemption premiums ranging from 0 to 1 percent.

Details of bonds payable as of June 30, 2005 are as follows:

	Beginning Balance	2005 issues	2005 retirements/ refundings	Year-end balance
September 1, 1999, 1999B General Obligation bonds, interest of 5.1% to 5.75% due semi-annually, principal due annually through 2020.	5,030,000		3,810,000	1,220,000
December 1, 2000 2000C General Obligation bond, interest of 5.25% to 5.375% due semi-annually, principal due annually through 2018.	1,455,000		855,000	600,000
September 1, 2001, 2001C General Obligation bonds, interest of 5.1% to 5.75% due semi-annually, principal due annually through 2020.	1,560,000		100,000	1,460,000
November 1, 2003 2003J General Obligation bonds, interest of 2.00% to 4.25% due semi-annually, principal due annually through 2019	3,300,000		180,000	3,120,000
April 6, 2005, 2005E General Obligation match and refunding bonds, interest of 3.5% to 4.3%, due semi-annually, principal due annually through 2021		8,085,000		8,085,000
	11,345,000	8,085,000	4,945,000	14,485,000
		Due within one year:		600,000
		Bond premiums		111,983
		Total bonds payable		\$ 14,596,983

Note 5. Bonds Payable – continued

Refundings:

In April 2005, the State issued General Obligation Series 2005E bonds that provided match funds as well as refunding \$4,355,000 of older match bonds in an advance refunding to take advantage of lower interest rates. The refunding portion of the proceeds of the new bond were placed in an irrevocable trust to provide for partial interest payments until the 1999B Series call date of 8/1/2009 and the 2000C Series call date of 8/1/2010, and for the subsequent lump sum payments of principal on those respective call dates. Accordingly, the trust account's liability of \$4,355,000 is not included in the Program's financial statements. In accordance with governmental accounting standards, the difference between the reacquisition price and the carrying amount of the former debt is recorded as a deferred charge to the Program and is amortized over the life of the old debt.

The Program's yearly debt service requirements to maturity, excluding unamortized premium, are as follows:

	principal	interest	total
2006	600,000.00	526,090.01	1,126,090.01
2007	765,000.00	548,563.76	1,313,563.76
2008	830,000.00	514,238.76	1,344,238.76
2009	880,000.00	417,288.76	1,297,288.76
2010	915,000.00	388,038.76	1,303,038.76
2011-2015	1,050,000.00	252,426.26	6,598,087.55
2016-2020	730,000.00	27,767.50	5,843,513.15
2021	285,000.00	6,127.50	291,127.50
Total	15,575,000.00	6,967,232.20	19,116,948.25

Note 6. Set-aside Expenses

Set-aside costs were incurred mainly for the following activities:

- Administrative costs (4% set-aside): Costs incurred for salaries and associated expenses of administering the Program.
- State Program Management (10% set-aside): Costs incurred for five functions; enhancement of Public Water System Supervision (PWSS) including development of the information management system, technical assistance and source water protection education, underground injection control, implementation of Nevada's capacity development strategy, and operator certification.
- Technical Assistance (2% set-aside): Costs incurred for technical assistance to small water systems that serve a population of 10,000 or less.
- Local Assistance (15% set-aside): Costs incurred for funding technical or financial assistance to public water systems for capacity development strategy and enhancement of the Wellhead Protection and Source Water Protection Programs.

Note 7. Contributed Capital

The Program is capitalized by EPA grants authorized by SDWA and matching funds provided by state match bonds. All EPA funds drawn for loans are recorded as contributed capital from EPA. All EPA funds drawn for set-asides are recorded as revenue. As of June 30, 2005, EPA had awarded to Nevada \$51,641,295 in capitalization grants for loans of which \$38,295,250 had been drawn and recorded as contributed capital. An additional \$10,714,438 has been drawn for set-aside expenses since inception of the Program and recorded as revenue.

The following summarizes the federal capitalization grant balances:

Year of Allotment	Grant Amount	Cumulative draws as of June 30, 2004	2005 draws	Cumulative draws as of June 30, 2005	Grant funds available June 30, 2005
1998	12,558,800	12,440,052	118,748	12,558,800	0
1999	14,585,100	14,585,100	0	14,585,100	0
2001	7,757,000	7,757,000	0	7,757,000	0
2002	15,841,600	7,040,776	6,876,768	13,917,544	1,924,056
2003	8,004,100	0	191,244	191,244	7,812,856
2004	8,303,100	0	0	0	8,303,100
TOTALS	\$67,049,700	\$41,822,928	\$7,186,760	\$49,009,688	\$18,040,012
UUBy					
Function:					
Set-asides	15,408,405	8,868,338	1,846,100	10,714,438	4,693,967
Loans	51,641,295	32,954,590	5,340,660	38,295,250	13,346,045

Note 8. Contingencies, Subsequent Events and Other Matters

Contingencies

The Program is exposed to various risks of loss related to torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to state employees while performing Program business; or acts of God. Nevada is self-insured against certain property and liability claims up to \$1 000,000 and carries excess liability insurance for any claim in excess of \$1,000,000. There have not been any claims against the Program since its inception.

Related Parties

There are no related party transactions with or related to amounts receivable from management of

the Nevada Drinking Water State Revolving Fund.

Contingencies, Subsequent Events and Other Matters – continued

Subsequent Events

In July of 2005, EPA awarded an additional \$8,285,500 to the Program for loans and set-asides.

This financial report is designed to provide a general overview of the State of Nevada's Drinking Water State Revolving Fund Program's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Drinking Water SRF, 901 South Stewart St., Carson City, NV 89701

Appendix B Approved Loans

Loan Portfolio

Loan Recipient	Interest Rate	Date of Commitment	Date of Loan Contract	Obligation	Total Disbursements	Remaining Obligations	Repayments	Loan Balance
Southern Nevada Water Authority 1	3.61		8/19/99	12,269,695	12,269,695	0	2,299,269	9,970,426
Southern Nevada Water Authority 2	3.46		4/19/01	10,000,000	10,000,000	0	1,293,913	8,706,087
Steamboat Springs Water Works (Private)	4.00		6/15/00	50,752	25,450	25,302	2,560	22,890
Gardnerville Ranchos GID1	3.86		8/17/00	3,256,735	3,256,735	0	167,412	3,089,323
Gardnerville Ranchos GID2	3.58	6/26/03	8/19/03	1,261,840	1,261,840	0	0	1,261,840
City of Henderson	3.65		8/11/00	5,500,000	5,500,000	0	388,731	5,111,269
Indian Hills GID1	3.86		9/1/00	608,065	608,065	0	42,081	565,984
Indian Hills GID2	3.46	9/18/03	10/1/03	1,700,000	1,027,787	672,213	0	1,027,787
Silver Knolls Mutual Water Co. (Private)	4.03		8/11/00	120,000	120,000	0	17,005	102,995
Indian Springs Sewage Co. (Private)	3.45		11/30/01	203,346	203,346	0	22,272	181,074
Country Terrace Mobile Home Park (Private)	3.61	6/26/02	8/2/02	355,398	355,398	0	25,220	330,179
City of Fallon	3.33	6/26/02	10/24/02	2,000,000	2,000,000	0	0	2,000,000
Kingsbury GID	3.19	12/5/02	3/28/03	4,000,000	1,016,357	2,983,643	0	1,016,357
Big Bend Water District1	3.19	12/5/02	4/28/03	4,000,000	4,000,000	0	0	4,000,000
Virgin Valley Water District	3.43	3/18/03	11/24/03	4,000,000	2,846,448	1,153,552	0	2,846,448
Incline Village GID	3.08	7/20/04	9/14/04	2,000,000	1,614,101	385,899	0	1,614,101
Big Bend Water District2	3.20	7/20/04	8/2/04	6,000,000	269,909	5,730,091	0	269,909
Washoe County	2.81	1/27/05	6/14/05	14,463,000	1,191,798	13,271,202	0	1,191,798
Truckee Meadows Water Authority	3.21	4/27/05	6/9/05	9,270,659	927,066	8,343,593	0	927,066
Totals June 30, 2005:				\$81,059,490	\$41,169,340	\$4,834,710	\$4,258,463	\$44,235,531

Appendix C

Schedule of Grant Amounts Expended with Remaining Balances Available by Grant Year

For the Period

July 1, 2004 through June 30, 2005

Schedule of grant amounts expended with remaining balances available by grant year

	Loans	10% State Programs - Cash	10% State Programs - In Kind	4% Administrative	2% Small Systems	15% Local Assistance	Totals
1997 Grant							
Grant Award Amounts	9,808,687	496,563	62,443	502,352	223,608	1,465,147	12,558,800
Grant Expenditures	9,808,687	496,563	62,443	502,352	223,608	1,465,147	12,558,800
Balances Remaining	0	0	0	0	0	0	0
1998 Grant							
Grant Award Amounts	5,641,892	632,130	80,000	284,852	142,426	340,000	7,121,300
Grant Expenditures	5,641,892	632,130	80,000	284,852	142,426	340,000	7,121,300
Balances Remaining	0	0	0	0	0	0	0
1999 Grant							
Grant Award Amounts	5,991,307	604,665	80,000	298,552	149,276	340,000	7,463,800
Grant Expenditures	5,991,307	604,665	80,000	298,552	149,276	340,000	7,463,800
Balances Remaining	0	0	0	0	0	0	0
2000 Grant							
Grant Award Amounts	6,209,147	742,433		310,280	155,140	340,000	7,757,000
Grant Expenditures	6,209,147	742,433	0	310,280	155,140	340,000	7,757,000
Balances Remaining	0	0	0	0	0	0	0
2001 Grant							
Grant Award Amounts	12,431,042	1,584,160	0	633,664	316,832	875,902	15,841,600
Grant Expenditures	10,848,322	1,584,160	0	608,585	316,832	875,902	14,233,802
Balances Remaining	1,582,721	0	0	25,079	0	0	1,607,799
2003 Grant							
Grant Award Amounts	5,522,829	800,410	0	320,164	160,082	1,200,615	8,004,100
Grant Expenditures	0	248,849		26,231	28,611	614,196	917,888
Balances Remaining	5,522,829	551,561	0	293,933	131,471	586,419	7,086,212
2005 Grant							
Grant Award Amounts	6,036,391	766,926	0	332,124	166,062	1,001,597	8,303,100
Grant Expenditures	0	0		0	0	0	0
Balances Remaining	6,036,391	766,926	0	332,124	166,062	1,001,597	8,303,100

Appendix D

Year 2005 Project Priority List

Year 2005 Priority List--Drinking Water State Revolving Fund Loan Pre-Applications

Rank	Water System	Total Points	State MHI/ PWS MHI	Revised Points	Owner- ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
Class I--Acute Health Risks											
1	Hidden Valley	3	1.1000	3.30	Public	WA	NV0000198	3,934	1,457	Surface water treatment required; arsenic & PCE removal	\$9,000,000
Class II--Chronic Health Risks											
2	Ember Mobile Manor	10	5.5726	55.73	Private	CH	NV0004002	28	21	Consolidation, arsenic compliance	\$65,000
3	Gerlach GID	10	2.1078	21.08	Public	WA	NV0000071	420	136	Water treatment (uranium)	\$500,000
4	Caliente	10	1.7257	17.26	Public	LN	NV0000013	1,132	427	New well, distribution	\$2,519,027
5	Goldfield	10	1.3522	13.52	Public	ES	NV0000072	450	215	Arsenic compliance	?
6	Manhattan	10	1.1723	11.72	Public	NY	NV0000165	100	82	Arsenic compliance, new well, transmission, storage, SCADA	?
7	Moapa Valley Water District	10	1.1161	11.16	Public	CL	NV0000160	8,000	2,695	Arsenic compliance	\$6,760,178
8	So. Truckee Meadows Water Treatment Facility	10	1.1000	11.00	Public	WA	NV0000215	12,096	4,762	Arsenic compliance	\$43,800,000
9	Lemmon Valley	10	1.1000	11.00	Public	WA	NV0000202	2,928	1,145	Arsenic compliance	\$2,060,664
10	Sunrise Estates	10	1.1000	11.00	Public	WA	NV0002525	86	33	Arsenic compliance	\$451,408
11	Truckee Canyon	10	1.1000	11.00	Public	WA	NV0000978	25	5	Arsenic compliance	\$975,000
12	Beatty	10	1.0808	10.81	Public	NY	NV0000009	1,100	450	Arsenic compliance	\$750,000
13	Carson City Utilities	10	1.0663	10.66	Public	CC	NV0000015	53,923	15,900	Arsenic compliance	\$9,098,000
14	Alamo Sewer & Water GID	10	1.0276	10.28	Public	LI	NV0000005	750	369	Arsenic compliance, new well, storage, distrib.	\$2,087,380
15	Fernley Utilities	10	0.9974	9.97	Public	LY	NV0000062	10,400	3,500	Arsenic compliance	\$19,750,000
16	Desert Springs	10	0.9746	9.75	Public	WA	NV0001085	5,780	2,228	Arsenic compliance	\$3,859,680
17	Spring Creek	10	0.9746	9.75	Public	WA	NV0004082	1,885	726	Arsenic compliance	\$3,516,613
18	Truckee Meadows Water Auth.	10	0.9731	9.73	Public	WA	NV0000190	300,000	79,700	Arsenic compliance	\$16,950,000
19	Round Hill GID	10	0.8388	8.39	Public	DO	NV0000260	1,000	430	Uranium compliance, extend lake intake, backwash holding tank, rehab. concrete tanks	\$2,310,000
										Total Class II	\$114,887,950
Class III--Rehabilitation											
Community Public Water Systems											
20	Pahrump MHP	25	3.1844	79.61	Private	NY	NV0000183	40	27	Consolidation	\$35,000
21	Lovelock GID	63	1.2138	76.47	Public	PE	NV0000161	3,900	1,365	Chlorination, storage, transmission, distrib., backflow	\$22,500,000
22	Roark Water Well Association	56	1.0116	56.65	Private	CL	NV0000319	60	24	Deeper well, treatment, storage, distribution	\$300,000
23	City of Elko	59	0.9172	54.11	Public	EL	NV0000272	18,000	6,814	Supervisory Control and Data Management System Acquisition, new well, transmission	\$1,675,000
24	Sheridan Acres Water Company	56	0.8598	48.15	Private	DO	NV0000069	282	94	New wells, storage, transmission, disinfection, meters	\$2,115,000
25	Stagecoach GID (Cons.)	33	1.2949	42.73	Public	LY	NV0000224	1,098	377	Consolidation, transmission	\$1,122,000
26	Ruth	23	1.4950	34.38	Public	WP	NV0000164	700	320	Rehabilitate & upgrade springs and transmission line	\$6,075,000
27	Lamoille Water Users	51	0.6619	33.76	Private	EL	NV0000273	165	60	New well, storage, distribution	\$1,210,500
28	Kingsbury GID	27	1.0325	27.88	Public	DO	NV0000004	5,879	2,300	Storage tank, replace water mains, replace gas engines and install electric generators in five booster pump stations, install water meters	\$13,211,985
29	Reno Sahara Trailer Park	25	1.1000	27.50	Private	WA	NV0000701	90	30	Consolidation	\$69,000
30	Spirit Mountain Utility Co.	24	1.0474	25.14	Private	CL	NV0000221	350	117	Storage, upgrade distribution	\$300,000
31	Kyle Canyon	34	0.7062	24.01	Public	CL	NV0000142	1,049	333	New well, cap abandoned well, water meters	\$3,591,184
32	Topaz Ranch Estates GID	26	0.8598	22.36	Public	DO	NV0000239	2,100	712	Upgrade distribution, well and chlorination equipment	\$1,005,000

Rank	Water System	Total Points	State MHI/ PWS MHI	Revised Points	Owner- ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
Class III - Rehabilitation (continued)											
33	Kingston	17	1.3152	22.36	Public	LA	NV0000265	275	124	Transmission, distribution, meters	\$3,100,020
34	Stagecoach GID (Stor. & Dist.)	16	1.2949	20.72	Public	LY	NV0000224	1,098	377	Pump station, storage, and distribution	\$1,470,400
35	Horizon Hills GID	21	0.8434	17.71	Public	WA	NV0000729	374	144	Upgrade existing well, connect with SPPCo line	\$660,000
36	Sun Valley GID	16	1.0782	17.25	Public	WA	NV0000211	15,000	6,000	Storage, distribution	\$3,417,750
37	Sierra Estates	15	0.8598	12.90	Public	DO	NV0000030	140	65	Production	\$64,000
38	Cave Rock/Skyland Water System	19	0.5743	10.91	Public	DO	NV0000259	1,875	503	Storage, distribution, meters	\$6,876,793
39	Virginia City	8	0.9800	7.84	Public	ST	NV0000240	1,250	589	Replace main supply pipeline from top of siphon to Five-Mile Reservoir	\$2,110,674

Transient, Noncommunity Public Water System

40	Verdi Business Water Coop	35			Private	WA	NV0005061	100	11	New well, upgrade treatment	\$101,250
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Total Class III **\$17,800,887**

Class IV--Refinance

Publicly-owned Utilities

None											\$0
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State MHI (Median Household Income) is \$44,581 based on 2000 Census.

PWS MHI is based on 2000 Census where data is available for the community. If 2000 Census community data is not available, 2000 Census county data, site specific income survey or other appropriate method was used. Contact NDEP for detailed information.

Previously Approved Loans

Water System	Award Date	Owner- ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
TMWA		Public	WA	NV0000190	30,000	79,700	Arsenic mitigation - blending	\$9,270,659
Hidden Valley (Washoe Co.)		Public	WA	NV0000198	3,934	1,457	Treatment arsenic removal	\$14,463,000
Big Bend Water District	Jul-04	Public	CL	NV0004092	8,000	2,100	Treatment improvements, transmission, storage	\$6,000,000
Incline Village GID	Jul-04	Public	WA	NV0000158	12,000	4,500	Distribution	\$2,000,000
Virgin Valley Water - Mesquite	Nov-03	Public	CL	NV0000167	11,006	4,300	Transmission, distribution, arsenic treatment	\$4,000,000
Indian Hills GID	Sep-03	Public	DO	NV0000355	6,000	1,800	Water treatment (arsenic)	\$1,700,000
Big Bend Water District	Apr-03	Public	CL	NV0004092	8,080	2,093	Treatment modifications (control disinfection byproducts), storage, distribution	\$4,000,000
Kingsbury GID	Mar-03	Public	DO	NV0000004	5,879	2,300	Storage and waterline replacement	\$4,000,000
Country Terrace MHP	Aug-02	Private	WA	NV0000201	315	105	Consolidation with TMWA	\$358,561
Verdi Meadows Utility	Pending	Private	WA	NV0000196	120	62	Waterline replacement	\$350,000
City of Fallon	Oct-02	Public	CH	NV0000045	7,000	2,397	Water treatment (arsenic)	\$2,000,000
Southern Nevada Water Authority	Aug-99	Public	CL	NV0000289	1,100,000	5	Ozonation	\$12,269,695
Southern Nevada Water Authority	Apr-01	Public	CL	NV0000289	1,100,000	5	Ozonation	\$10,000,000
Steamboat Springs Waterworks	Jun-00	Private	WA	NV0000282	500	297	Storage tank interior recoating and exterior painting	\$50,732
Silver Knolls MWC	Aug-00	Private	WA	NV0004021	200	64	New back up well	\$120,000
Gardnerville Ranchos GID	Aug-00	Public	DO	NV0000066	9,000	3,770	Distribution replacement	\$3,256,736
City of Henderson	Aug-00	Public	CL	NV0000076	188,100	22,362	UV disinfection	\$5,500,000
Indian Hills GID	Sep-00	Public	DO	NV0000355	500	153	Distribution	\$474,882
Indian Springs Sewage Company	Nov-01	Private	CL	NV0000082	1,000	163	Storage	\$207,000

Total Loans **\$80,021,265**

